

# EXHIBIT P



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### **DOJ, EPA ANNOUNCE ONE BILLION DOLLAR SETTLEMENT WITH DIESEL ENGINE INDUSTRY FOR CLEAN AIR VIOLATIONS**

#### **Total Settlement is Biggest in Clean Air Act Enforcement History**

WASHINGTON, D.C. - Announcing a total settlement that comprises the largest Clean Air Act enforcement action in history, the Justice Department and the Environmental Protection Agency today said that seven manufacturers of heavy duty diesel engines will spend more than one billion dollars to settle charges that they illegally poured millions of tons of pollution into the air, including an \$83.4 million civil penalty, the largest in environmental enforcement history.

The settlement will resolve charges that the companies - **Caterpillar Inc., Cummins Engine Company, Detroit Diesel Corporation, Mack Trucks, Inc., Navistar International Transportation Corporation, Renault Vehicules Industriels, s.a. and Volvo Truck Corporation** - violated the Clean Air Act by installing devices that defeat emission controls. The settlement is expected to prevent 75 million tons of nitrogen oxide (NOx) air pollution over the next 27 years; 75 million is more than the total U.S. NOx emissions for three years. In addition, due to the settlement, the total NOx emissions from diesel engines will be reduced by one-third as of the year 2003. The settlement is significant because the companies comprise 95 percent of the U.S. heavy duty diesel engine market.

"The diesel engine industry has illegally poured millions of tons of pollution into the air. It's time for the diesel engine industry to clean up its act and clean up our air," said Attorney General Janet Reno. "These companies needlessly cost themselves millions of extra dollars by not complying with the law in the first place. Today's settlement shows that an ounce of compliance is worth a pound of penalties."

"This landmark settlement - the biggest civil penalty ever for violating an environmental law - is proof that companies that fail to meet their responsibility to protect public health and the environment will pay a stiff price," said EPA Administrator Carol Browner. "These defeat devices are really deceit devices -- they defeat important public health protections and deceive the American people. The settlement underscores this Administration's commitment to vigorously enforce the environmental laws of this nation and to ensure that the air people breathe is safe and clean."

The complaint alleges that the companies violated the Clean Air Act by selling heavy duty diesel engines equipped with "defeat devices" -- software that alters an engine's pollution control equipment under highway driving conditions. The defeat devices allow engines to meet EPA emission standards during testing but disable the emission control system during normal highway driving. The Clean Air Act prohibits any manufacturer from selling any new motor vehicle engine equipped with any device designed to defeat the engine's emission control system. The engines meet the emission limits when they run on the EPA's 20-minute Federal Test Procedure, but when the engines are running on the highway, up to three times the limit of NOx emissions result.

The companies are alleged to have sold an estimated 1.3 million of the affected engines, which range from the type used in tractor trailers to large pick-up trucks. The affected engines emitted more than 1.3 million tons of excess NOx in 1998 alone, which is six percent of all NOx emissions from cars, trucks and industrial sources this year. This is equivalent to the NOx emissions from an additional 65 million cars being on the road. If the companies' use of defeat devices had not been detected and eliminated, more than 20 million tons of excess NOx would have been emitted by the year 2005.

The settlement requires that the companies spend collectively over one billion dollars, including \$83.4 million in civil penalties, the largest in environmental enforcement history.

In addition, EPA estimates that the companies will spend collectively more than \$850 million to introduce cleaner new engines, rebuild older engines to cleaner levels, recall pickup trucks that have defeat devices installed and conduct new emissions testing.

Under the agreements lodged today with the U.S. District Court for the District of Columbia, the companies will reduce significantly emissions from new heavy duty diesel engines by the end of the year and then meet levels beyond what the law requires by October 2002. The companies also will ensure that when older heavy duty diesel engines are rebuilt, their excess emissions will be reduced. The companies also will move up the date for meeting certain NOx emission standards applicable to non-road engines such as construction equipment.

In addition to reducing NOx emissions from the heavy duty diesel engines, the companies will undertake a number of projects to lower NOx emissions, including research and development projects to design low-emitting engines that use new technologies and cleaner fuels. Collectively, these projects will cost \$109.5 million.

"The consent decrees filed today confirm that no one can violate federal environmental laws with impunity, and that attempts to circumvent the regulations of the Clean Air Act will not be tolerated," said U.S. Attorney for the District of Columbia Wilma A. Lewis.

"Moreover, this settlement -- which represents the combined efforts of EPA, DOJ and the US Attorney's Office -- will help to remedy the wrongs committed while improving the quality of our environment and saving the taxpayers the expense of a lengthy trial."

The emission problems were discovered last year when EPA tested one of the company's engines. EPA and DOJ then began an extensive investigation. Settlement discussion began earlier this year.

NOx is one of the six criteria pollutants for which EPA has established National Ambient Air Quality Standards. It contributes to the formation of ground level ozone (smog), soot and dust. These pollutants can cause premature death, asthma attacks, bronchitis, and reduced lung functions and other breathing problems, especially in the elderly and children. NOx also causes acid rain, which causes damage to agricultural crops, pollutes drinking water, and causes acid deposition in water bodies.

The manufacturers will be subject to additional heavy penalties if they do not meet the agreement deadlines, and will be required to demonstrate compliance with the settlement on tests, which supplement the Federal Test Procedure to ensure there are no new defeat devices used.

Part of the civil penalties will be paid to the California Air Resources Board, with which the companies have made a related settlement.

This settlement is the third significant Clean Air Act settlement with the auto industry in the past three years. In June of this year, DOJ and EPA settled charges against American Honda Motor Co. for \$267 million and Ford Motor Company for \$7.8 million for selling vehicles with a device that defeats emissions control systems. In 1995, DOJ and EPA settled with GM for \$45 million for putting defeat devices in 500,000 Cadillacs, increasing carbon monoxide emissions when the climate control system was on.

The proposed settlements will be published in the Federal Register for 30 days and must be approved by the Court.

R-144 ###

#### FACT SHEET: DIESEL ENGINE SETTLEMENT

On October 22, 1998, the Department of Justice and the Environmental Protection Agency announced an \$83.4 million total penalty against diesel manufacturers, the largest civil penalty ever for violation of environmental law. Under this settlement, seven major manufacturers of diesel engines will spend more than one billion dollars to resolve claims that they installed computer devices in heavy duty diesel engines which resulted in illegal amounts of air pollution emissions. This settlement will prevent 75 million tons of harmful nitrogen oxide (NOx) emissions nationwide by 2025. The companies involved are Caterpillar Inc., Cummins Engine Company, Detroit Diesel Corporation, Mack Trucks, Inc., Navistar International Transportation Corporation, Renault Vehicules Industriels, s.a., and Volvo Truck Corporation.

**Alleged Violations:** The seven companies sold 1.3 million heavy duty diesel engines containing illegal "defeat devices," which allow an engine to pass the EPA emissions test, but then turn off emission controls during highway driving.

As a result, these engines emit up to three times the current level for NOx, a harmful air pollutant.

Public Health and Environmental Effects: NOx creates smog and soot, and contributes to acid rain and other forms of air pollution. Adverse health effects caused by NOx include premature mortalities, reduced lung function, and aggravated existing respiratory problems such as bronchitis and asthma.

Environmental impacts include the deterioration of coastal waters and estuaries (such as the Chesapeake Bay), global warming and stratospheric ozone depletion. These heavy duty diesel engines emitted 1.3 million tons of excess NOx in 1998 alone, equivalent to the NOx emissions from an additional 65 million cars being on the road, and representing 6% of total NOx emissions across the nation.

#### Total Settlement:

- \$83.4 million in civil penalties, the largest civil penalty ever for an environmental violation
- At least \$850 million to produce significantly cleaner engines, including engines that have their emissions cut in half by January, 1999 and that by October 1, 2002 will have emissions reduced by 80% compared to current levels 15 months before those standards are scheduled to take effect
- \$109.5 million for additional environmental projects like development of new emission-control technologies

#### Violations and Settlements for Individual Companies:

- Caterpillar Inc. produced 320,000 engines containing defeat devices since 1988. These engines resulted in excess NOx emissions of 2.1 million tons. The company will pay a civil penalty of \$25 million, and will conduct environmental projects costing \$35 million.
- Cummins Engine Company produced 400,000 engines containing defeat devices since 1991. These engines resulted in excess NOx emissions of 3.6 million tons. The company will pay a civil penalty of \$25 million, and will conduct environmental projects costing \$35 million.
- Detroit Diesel Corporation produced 430,000 engines containing defeat devices since 1988. These engines resulted in excess NOx emissions of 9.0 million tons of NOx. The company will pay a civil penalty of \$12.5 million, and will conduct environmental projects costing \$12 million.
- Mack Trucks, Inc. and its business partner, Renault Vehicules Industriels, s.a. , produced 90,000 engines containing defeat devices since 1990. These engines resulted in excess NOx emissions of 860,000 tons. The company will pay a civil penalty of \$13 million, and will conduct environmental projects costing \$18 million.
- Navistar International Transportation Company produced 78,000 engines

containing defeat devices since 1994. These engines resulted in excess NOx emissions of 40,000 tons. The company will pay a civil penalty of \$2.9 million.

- Volvo Truck Corporation produced 10,000 engines containing defeat devices since 1994. These engines resulted in excess NOx emissions of 148,000 tons. The company will pay a civil penalty of \$5 million, and will conduct environmental projects costing \$9 million.



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